

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Neutral

BILL NUMBER: SB 99
AUTHOR: Senate Local Government

BILL SUMMARY: Joint Exercise of Powers: Reporting and Disclosures

This bill would require revenue conduit providers to provide specified information to the State Controller's Office (SCO), the Secretary of State (SOS), and the State Treasurer's Office (STO) for the purpose of increasing transparency and public accountability in revenue conduit bond financing.

FISCAL SUMMARY

To the extent that the information required by this bill is added to already existing reports published by the SCO, SOS, or the STO, the costs to the state from the legislation would appear to be minimal. The enforcement costs that would be borne by the SCO could be substantial, but these would be reimbursed by the revenue conduit providers. To the extent that penalties are actually assessed for non-compliance of the reporting requirements, potentially tens to hundreds of thousands of dollars could accrue to the state.

COMMENTS

Finance notes the following with regard to this bill:

- This bill would increase transparency and public accountability for conduit financing.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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ANALYSIS**A. Programmatic Analysis**

Existing law exempts interest on bonds issued by the state, or a local government in the state, from taxes on income. Federal tax law exempts interest on state and local bonds as well, but California does not exempt interest on bonds issued by other states or local governments located in other states.

Under current law, conduit revenue bonds are a tax-advantaged form of financing that allows specified state and local agencies to issue bonds on behalf of a private entity, for a public benefit or purpose. In 2007 a total of 262 local conduit revenue bonds totaling \$8.7 billion were issued in California.

This bill would require revenue conduit providers to provide specified information to the SCO, the SOS, and the STO for the purpose of increasing transparency and public accountability in revenue conduit bond financing.

Specifically, this bill would:

- Define certain aspects of conduit financing with regard to both the provider and type of security.
- Require the website posting of specific information by the conduit financing provider.
- Specify certain requirements with regard to any legally mandated audit of the conduit financing provider.
- Specify that certain specific information be included in any legally required report that the conduit financing provider is required to submit to the SCO or Legislature.
- Add the requirement that the full text and any amendments thereto be included in the filings to the SOS that are required for the creation of a joint powers agreement.
- Require the disclosure of the level of fees or charges imposed by the conduit financing provider for the issuance of revenue conduit bonds to the California Debt and Investment Advisory Commission.
- Require that any resolution authorizing or accepting the benefit of conduit revenue bonds be adopted by the conduit bond financing authority only during publicly noticed meetings.
- Set forth penalties for conduit financing providers for failure to file specific reports as required.
- Make findings and declarations relative to the need for transparency and public accountability of conduit financing.

B. Fiscal Analysis

To the extent that the information required by this bill is added to already existing reports published by the SCO, SOS, or the STO, the costs to the state would appear to be minimal. The enforcement costs that would be borne by the SCO could be substantial, but these would be reimbursed by the revenue conduit providers. To the extent that penalties are actually assessed for non-compliance with the reporting requirements, potentially tens to hundreds of thousands of dollars could accrue to the state.

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	Code
0840/Controller	SO	No	-----	See Fiscal Analysis				-----	0001
1256/Othr Reg Fee	RV	No	-----	See Fiscal Analysis				-----	0001
1646/Fines & Forf	RV	No	-----	See Fiscal Analysis				-----	0001